



20/20 Gene Systems, Inc.

9700 Great Seneca Highway  
Rockville, MD 20852

January 12, 2005

Gary M. Jackson  
Assistant Administrator for Size Standards  
U.S. Small Business Administration  
409 Third Street, S.W.  
Washington, D.C. 20416

**Re: SBIR Participation by VC Owned Companies  
RIN 3245-ZA02**

Dear Mr. Jackson:

In response to your recently published request for comments on the issue of SBIR funding for companies majority owned by venture capitalists, we strongly discourage this practice as it would likely do severe harm to the majority of young, emerging biotechnology companies.

Certain organizations and lobbyists that purport to speak for "emerging" biotechnology companies are promoting changes to the SBIR eligibility standards using exaggerated and misleading arguments. These include the myths that any biotech company developing "real products" must be owned by a VC firm and that failure to channel SBIR money to VCs would "make the program irrelevant to the biotech industry." (See *Washington Business Journal*, Dec. 10, 2004 p. 28)

20/20 GeneSystems is an example of an emerging biotech company that is clearly debunking these myths. Founded in 2000 our company develops highly innovative diagnostic products for homeland security, oncology, and immunology. Our flagship product, *BioCheck*™, is now used by over 250 fire departments and federal security and law enforcement agencies across the U.S. to screen suspicious powders. (This week, for example, we received substantial orders for this product from various agencies providing security for the upcoming Inauguration ceremonies.) Our R&D funding for new products primarily comes from the SBIR program with support from product revenues, angel investors, and various government and commercial contract R&D. Regrettably, the VC community has shown little interest in diagnostics despite the importance of this field for homeland security and the emerging paradigm of "personalized medicine." Thus, opening up SBIR coffers to VC firms would diminish a key funding source for an area of research that is critical to our nation's healthcare system and security.

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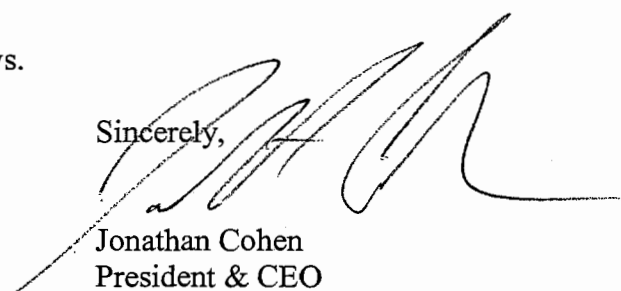
Another barrier to obtaining VC funding is the fact that we are based in the Washington metropolitan area, which has no local VCs actively investing in early stage biotech companies. 20/20 GeneSystems is headquartered at the Maryland Technology Development Center, an incubator housing nearly two dozen early stage biotech companies. Since we became a tenant here in 2001 not a single biotech company in this incubator facility has received a first round of venture capital!

We understand that as part of its new "Roadmap" and emphasis on translational research the NIH is beginning to ask its R01 and other grant recipients to demonstrate that they can bring to market the results of funded research. Hence, there will likely be increasing opportunities for companies that do not meet the existing SBIR size standards to obtain funding from the R01 and other NIH grant programs that are nearly 40 times the size of the SBIR program.

For these reasons we strongly discourage the SBA and Congress from eliminating the "S" in SBIR by opening up the program to venture capitalists and other firms that are not genuinely small business.

Thank you for considering these views.

Sincerely,



Jonathan Cohen  
President & CEO